

Where will future demand for housing assistance take place?

GROWTH IN DEMAND FOR HOUSING ASSISTANCE AMONGST RENTERS WILL EXCEED THE GROWTH RATE FOR HOUSEHOLDS FROM 2003 TO 2011. GROWTH WILL TAKE PLACE MAINLY IN MAJOR CITIES, BUT HIGHER RATES OF GROWTH WILL OCCUR IN NON-METROPOLITAN AREAS OF NEW SOUTH WALES, QUEENSLAND, WESTERN AUSTRALIA, AND THE NORTHERN TERRITORY.

KEY POINTS

- By 2011 at least 130,000 Australian households will require housing assistance: 34,000 in the public rental sector and 96,000 in the private rental sector.
- The rate of growth in demand for housing assistance (15 per cent between 2003 and 2011), will outstrip the projected growth in households (13 per cent). Growth will come mainly in demand for private rent assistance (16 per cent) with demand for public housing increasing by 12 per cent.
- The areas in which this increased demand will be highest vary by State and Territory. It will occur primarily in major cities in Victoria, South Australia, Western Australia and the ACT. It will occur in major cities and regional areas in NSW and Queensland, and it will occur in regional areas in Tasmania and the Northern Territory.
- A key factor in the growth of housing assistance is the projected increase in renters living alone – this group is projected to increase by 159,000 over the period and the numbers needing housing assistance by 82,000.
- Worsening housing affordability in the private rental market – especially in the large cities – will also affect demand for rent assistance. The number of renting households estimated to be in housing stress is projected to increase by 65,000 between 2003 and 2011 (and the proportion in stress increasing slightly from 5.9 to 6 per cent). The amount of housing stress may increase even further if public housing is not able to maintain its present supply of 16.5 per cent of all rental properties.

*Based on research by
Simon Kelly, Ben Phillips and **Elizabeth Taylor** of the AHURI
RMIT-NATSEM Research
Centre, this project
estimates the demand for
housing assistance for
small areas up to 2011.*



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BACKGROUND

Australian governments provide housing assistance in a number of forms, however the key areas of assistance are focussed towards renters. Two key areas of assistance are provision of public housing and Commonwealth Rent Assistance (CRA) to households in the private rental market. Forecasting future trends in demand for housing assistance is clearly of benefit to policy makers seeking to understand budgetary impacts. Understanding where that demand might occur is also important in knowing how to target public housing to the right locations.

A previous project by AHURI involved the development of a detailed dataset capable of modelling the effectiveness of Commonwealth Rent Assistance (CRA) in different regions (Melhuish et al. 2004). This project improves these estimates and extends the small-area dataset to include public housing and a projection capability.

METHODOLOGY

The methodology uses spatial micro-simulation to combine small-area Census data (which has detailed unit record data at a small area level) with the ABS Household Expenditure Survey (which has detailed information about households including their housing costs). The result is a very detailed dataset of population characteristics for each Statistical Local Area (SLA) of the country.

Modelling the impact of Government's income and housing policies (such as CRA) is done with the assistance of HOUSEMOD, which is capable of tax-transfer micro-simulation modelling to a detailed regional level. Projections of housing demand at a small area level are calculated using 2003 data and projected forward using weights based on ABS projections for population, labour force, and household type up to 2011. The projected outcomes for each SLA were validated by benchmarking against other known external results.

The estimates provided in the project are 'baseline' which means they used standard ABS assumptions about population growth and regional distribution, labour force participation, household living arrangements as well as projected economic and policy assumptions (eg inflation or

rental growth) based on past performance. The estimates are only for the 85 per cent of all statistical local areas that were found to be valid when benchmarked against administrative source data, so that only 92 per cent of all Australian households are covered in the analysis. This means that the estimates of total numbers of households across Australia in housing assistance and housing stress are likely to be understated, and it will affect results in the two territories where large numbers of regions were excluded.

FINDINGS

- In 2003, of the almost 7 million households analysed, 29 per cent were renting. Of those that were renting, approximately 876,000 (or 43 per cent of renting households) were receiving rental assistance through either living in public housing or Commonwealth Rent Assistance
- From 2003 to 2011, renting households are projected to increase by 12 per cent - just less than the growth rate in households in general (13 per cent). However, demand for housing assistance for renters is projected to increase by 15 per cent over that period. Growth will come mainly in demand for private rent assistance (16 per cent) with demand for public housing increasing by 12 per cent. Public housing is assumed to maintain its proportion of total rental housing stock at 16.5 per cent.
- The overall number of households requiring housing assistance in the areas analysed is projected to increase by 130,000 so that over a million households will be reliant on housing assistance in these areas by 2011 (See Table 1 below). This increase comprises an increase of 34,000 in the public rental sector and 96,000 in the private rental sector.
- In 2003, around 5.9 per cent of all households were suffering housing stress in rental accommodation. This is slightly lower than that estimated by Yates et al (2005) for 2002-03 of 6.5 per cent of all households. A household is defined to be in housing stress where its income is in the bottom forty percent of the income distribution and its rental costs are greater than 30 per cent of total disposable household income.
- By 2011, low-income renting households in housing stress are projected to have increased by 65,000. This

TABLE 1: RENTERS IN HOUSING ASSISTANCE AND HOUSING STRESS, 2003-2011

Year	Renting Households	Renting Households receiving Housing Assistance	Renting Households in Housing Stress	Proportion of Renting Households receiving Housing Assistance	Proportion of all Households ¹ in Housing Stress
	No.	No.	No.	%	%
Private Renters					
2003	1,741,900	588,700	409,000	33.8	5.9
2011	1,951,300	684,800	473,800	35.1	6.0
Public Renters					
2003	287,800	287,800	0	100	0
2011	322,100	322,100	0	100	0
All Renters					
2003	2,029,700	876,500	409,000	43.2	5.9
2005	2,094,600	904,200	442,500	43.2	6.1
2007	2,152,600	935,700	459,700	43.5	6.2
2009	2,212,300	970,500	467,500	43.9	6.1
2011	2,273,400	1,006,900	473,800	44.3	6.0

Note: (1) Total Households refers to all households except *Renting - Other and Other Tenure*, that is it includes homeowners (with or without a mortgage) and those renting either privately or from a public authority

Source: NATSEM HOUSEMOD simulation

assumes that public housing still supplies 16.5 per cent of all rental properties. If the supply of public housing does not maintain this rate then demand for CRA and levels of housing stress would both be higher than the figures presented above

- The cities will see the greatest numbers demanding public housing with 19,010 (or 56 per cent of total growth), but non-metropolitan regions, and especially non-metro inland regions will exhibit the greatest rate of growth in demand. Most of this will come in states with growing populations such as Queensland, Western Australia and Northern Territory (see Table 2).
- Table 2 also shows that increased demand for Commonwealth Rent Assistance (CRA) will be focused in cities (47,300 or 14 per cent growth), but higher rates of increase in demand will occur in non-metropolitan areas and non-metropolitan inland regions in particular (almost 20 per cent growth). Particularly high growth rates will be experienced in the coastal regions of Queensland (31 per cent) and the inland regions of WA (36 per cent). Locations of especially rapid increased demand for CRA include Newcastle (with growth of

over 20 per cent), Rockhampton (45 per cent) and suburbs in Perth (eg Melville with 80 per cent).

- The areas where the greatest increase in numbers of low income households in rental housing stress will be in the capital cities, however the relative incidence of housing stress is greatest in the non-metropolitan inland areas.
- As Table 3 shows, the model estimates over half of all renters are single people living alone. Of this group, 39 per cent are receiving housing assistance and 25 per cent are in housing stress. However, housing assistance is more common for Lone Parent (81 per cent), *Couple with dependent children* (61 per cent) and *Group households* (44 per cent) households.
- A key reason for the growth in rental stress and higher demand for housing assistance is the growth in single person households. This group is projected to increase by 159,000 over the period with numbers in housing assistance increasing by 82,000 (see Table 3). At the same time there is an increased propensity for single persons to experience housing stress and require housing assistance.

TABLE 2: GROWTH IN NUMBER OF HOUSEHOLDS DEMANDING PUBLIC HOUSING AND CRA BY METROPOLITAN AND NON-METROPOLITAN REGION (2003 TO 2011)

	Public housing demand growth No of households	% change	CRA Demand Growth No of households	% change
Metro NSW	3,300	9	5,000	7
Metro NT*	400	20	700	38
Metro QLD	4,800	18	16,300	22
Metro SA	2,400	7	2,300	7
Metro TAS	400	6	700	12
Metro VIC	4,300	11	10,200	10
Metro WA	2,500	12	11,600	26
ACT*	1000	11	600	12
Metro	19,000	11	47,300	14
Non metro coastal NSW	1,500	10	3,500	11.0
Non metro coastal NT*	100	29	-10	-12
Non metro coastal QLD	1,100	23	4,500	31
Non metro coastal SA	700	9	1,000	22
Non metro coastal TAS	300	6	600	10
Non metro coastal VIC	500	11	2,200	21
Non metro coastal WA	1,100	18	2,600	27
Non metro coastal	5,200	12	14,500	19
Non metro inland NSW	2,900	10	10,800	16
Non metro inland NT*	600	24	200	13
Non metro inland QLD	4,200	24	17,500	24
Non metro inland SA	200	7	300	9
Non metro inland TAS	-10	-2	40	4
Non metro inland VIC	1,500	10	4,500	18
Non metro inland WA	600	22	1000	36
Non metro inland	10,000	14	34,300	20
Australia	34,200	12	96,200	16

Source: HOUSEMOD, based on Appendix B, Final Report. (Nb only relates to 1152 regions found to be valid in the simulation). * These estimates should be treated with caution given the large numbers of regions excluded in these territories.

TABLE 3 PROPORTION OF RENTERS IN HOUSING STRESS BY HOUSEHOLD TYPE, 2003 AND 2011

	2003				2011			
Type of Household	Renters	All Renters	Renters HA	Renters in Stress	Renters	All Renters	Renters HA	Renters in Stress
	No.	%	%	%	No.	%	%	%
Couple with dependent children	188,500	9.3	61.2	14.4	175,000	7.7	59.1	14.2
Couple Only	311,800	15.4	39.5	20.5	377,500	16.6	39.0	16.4
Lone parent	77,300	3.8	81.2	25.7	121,900	5.4	84.9	23.6
Single Person	1,169,900	57.6	38.5	24.9	1,328,500	58.4	40.1	26.4
Group/other household	282,300	13.9	44.3	2.4	270,500	11.9	44.5	2.7
<i>All types</i>	<i>2,029,700</i>	<i>100.0</i>	<i>43.2</i>	<i>20.2</i>	<i>2,273,400</i>	<i>100.0</i>	<i>44.3</i>	<i>20.8</i>

Source: NATSEM HOUSEMOD simulation

POLICY IMPLICATIONS

- The development of HOUSEMOD provides AHURI with a tool that allows the impact of proposed housing policy changes to be tailored to suit the environment and the full range of outcomes to be examined. For example, based on current average CRA expenditure per income unit of roughly \$2,056 per year (2003-04), at current prices the estimated increase in demand for CRA (from 96,000 households) will cost the federal government an additional \$258 million per year in Rent Assistance (assuming there are 1.4 income units for each household) by 2011.
- Keeping housing costs affordable is a key issue for households and forms an important part of government housing policy. Affordability is a measure of the ongoing costs of housing in relation to income and, consequently, impacts most on people with low incomes. This research has provided a tool that enables government to examine the impact (both current and future) of changes to housing policy at the small area level.
- The findings show that while the overall need for housing assistance is greatest in the cities, there are significant numbers of non-city communities that currently have high proportions of their population in need of greater housing assistance and this will grow at a more rapid rate reflecting increased population flow to some of these areas. Policy makers responsible for housing might utilise the results to better plan for public and private rental housing demands in regional locations.
- The model shows that housing policy makers could also consider ways in which to better tailor public housing stock, and orient private rental investment towards groups such as single renters.

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FURTHER INFORMATION

For more information about this research project, see Project 30205 *Baseline Small Area Projections of the Demand for Housing Assistance*. The following papers are available on the AHURI website (www.ahuri.edu.au):

- Positioning paper
- Final report

The Final report provides estimates of growth in demand for housing assistance by SLA and for public and private rental sectors. For previous AHURI projects providing small area data estimates from the HOUSEMOD model, see Project 30147 by Tony Melhuish, Anthony King and Elizabeth Taylor (2004) *The Regional Impact of Commonwealth Rent Assistance*, also available on the AHURI website.

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